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How to Create a Winning Employee Retention Strategy

Keeping these four elements in mind will help your business hold on to the top people on your staff.

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By Paul Sarvadi

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A comprehensive people strategy is *not* comprehensive if it doesn't include a proven retention strategy for holding on to the employees you've worked hard to recruit into your company.

That may sound logical, but many, if not most, small businesses overlook this critical component in their human resources program. In a recent Watson Wyatt survey, more than 50 percent of the responding companies said they didn't have a formal strategy for retaining employees once they had been successfully recruited.

So why is that? I think the answer lies in a misperception about what factors actually drive retention.

Most business owners and managers think retention is based on compensation issues--wage and salary levels, incentives, and golden handcuffs--when in reality the drivers go much deeper into the human psyche to the actions and attitudes that make employees feel successful, secure and appreciated. As a result, a sound retention strategy should focus on and tactically address four key elements--performance, communication, loyalty and competitive advantage.

1. Performance. The benefit of having measurable objectives for employees is fairly obvious to most business owners and managers, but this perception usually stops short of relating performance metrics to employee retention. Study after study confirms that people have a deep desire to feel they're succeeding and that their talents and capabilities are being used in a way that makes a difference to the business. When people sense their actions *are* fulfilling this desire, they begin to develop a sense of belonging and a feeling that your company is *their* company.

Human beings are often the happiest when they're in the process of achieving a goal. Clear, achievable objectives that gauge personal, team and company performance provide the feedback employees need to confirm they're making valuable contributions and accomplishing desirable goals.

2. Communication. The second essential element in a retention strategy is communication, specifically a communications process that's structured to inform, emphasize and reaffirm to employees that their workplace contributions are having an impact. Since we're dealing very directly with how employees feel about their performance, the company and their work environment, the question becomes, "How do you know how they feel about these matters?"

Properly done, communication with your staff will provide you with the insights you need in order to know how your employees feel about working for your business. Do you communicate on a frequent basis with your employees? Do you have regular meetings with your people? Is it two-way communication, and do you have a nonthreatening channel for them to offer comments and suggestions? Do you conduct employee surveys to gather opinions on company issues and activities? Are your managers and supervisors good listeners? An effective and sensitive communications plan can provide you with insight on exactly what's driving employee morale and how your staff members feel about your company.

3. Loyalty. The third element in a successful employee retention strategy is employee loyalty. True loyalty is not an enforced requirement but an earned response to the trust, respect and commitment shown to the individuals in your company. When you demonstrate loyalty to your employees, they'll reciprocate with commitment and loyalty to your business. Remember that people don't begin their employment with you as loyal employees, but will develop loyalty over time as they're trusted, respected and appreciated by you.

So how are you going to demonstrate your commitment to them? How loyal are you to your employees? Are you more concerned about their success or their contributions to your company's success? In actuality, these two considerations are not mutually exclusive but are both essential and should work together.

4. Competitive advantage. The fourth and final element in your strategy to retain employees has to do with your competitive advantage. While that may seem odd at first, think about it: People want to work for a winner. What sets your company apart from your competition? How are you--and as a result, your employees--making a difference in your industry, in your community, and for your customers? Take the time to identify and inform your clients and your employees about your unique competitive advantage. If your product is similar to others in the marketplace, your service can be what distinguishes you (and probably should in any case). People want to be with a winner...and that includes employees.

Together, these four elements can provide you with a retention strategy capable of producing amazing results. You may even have some of them already in place, such as performance metrics and a communications process. The key is to make sure you've integrated all four elements into a strategy for retaining employees that's grounded in a genuine commitment to serving your customers and employees well over the long haul.

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